

Thank you, Mr. Chairman.

Members of the Committee, my name is Sam Taylor. I am president of the North Carolina Biosciences Organization, which is the trade association for the life science industry in North Carolina. Our organization represents biopharmaceutical, medical device, industrial biotechnology and agricultural biotechnology companies across North Carolina. Together these companies employ more than 66,000 employees and have an estimated impact of \$59 billion on the economy of our State.

The purpose of my comments today is to express our Organization's concern regarding the impact of the Senate budget on North Carolina's innovative capacity. By innovative capacity I mean the ability to discover, develop and commercialize new products that will power our economy in the future. Innovative capacity produces companies with high margins, high pay, and a tendency to stay where they are founded.

The Senate budget raises two particular issues that I would like to draw to your attention today.

First, the Senate budget, like the House budget, does not extend the North Carolina Research and Development Tax Credit, which is currently scheduled to expire at the end of this year. Presently, thirty-nine states have research and development tax credits. The Credit is the centerpiece of North Carolina's innovation tax policy. It is the signpost that says North Carolina is open for business by innovation-based companies.

The Revenue Department's annual report on tax expenditures, shows that in 2013 – the last year for which we have complete data – more than 640 entities claimed the credit. Only five companies claimed

credits above one million dollars; the vast majority of claims were under \$100,000; and the average claim was \$64,000.

With so many entities taking the Credit, you can see that it is really a broadly used centerpiece of North Carolina's R&D economy. NCBIO urges you and your Senate colleagues to find a way to extend the credit during conference process.

NCBIO's second concern is the Senate's decision to raise both the tax rate and the per item cap on R&D equipment and supplies purchased under Article 5F of the tax code. Under current law, companies buying manufacturing machinery and R&D equipment can purchase these items under at a 1% sales tax rate, capped at a maximum of \$80.

The Article 5F tax is very important to our small R&D companies that are not yet profitable and therefore cannot claim the R&D Tax Credit. By raising both the tax rate and the tax cap in Article 5F, the Senate has placed an additional burden on our State's small R&D companies that are working to simply prove-out the merits of new technologies and products.

NCBIO therefore urges the House to oppose the Senate's changes to Article 5F and protect the current 1%/\$80 tax rate that helps our small, pre-profit R&D companies

That concludes my comments, Mr. Chairman. I will be happy to answer any questions either now or after the committee adjourns